



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
FORMER CARTER COUNTY  
SHERIFF'S SETTLEMENT - 1997 TAXES**

**September 8, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT ..... 1

SHERIFF’S SETTLEMENT - 1997 TAXES .....3

NOTES TO THE FINANCIAL STATEMENTS .....5

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....9





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff

Honorable Kevin McDavid, Carter County Sheriff

Members of the Carter County Fiscal Court

### Independent Auditor's Report

We have audited the former Carter County Sheriff's Settlement - 1997 Taxes as of September 8, 1998. This tax settlement is the responsibility of the former Carter County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared her financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Carter County Sheriff's taxes charged, credited, and paid as of September 8, 1998 in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff

Honorable Kevin McDavid, Carter County Sheriff

Members of the Carter County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 29, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
July 29, 1999

CARTER COUNTY  
ALICE BINION, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 1997 TAXES

September 8, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 268,828	\$ 496,586	\$ 1,459,887	\$ 586,195
Tangible Personal Property	21,355	36,384	107,315	74,827
Intangible Personal Property				25,652
Fire Protection	4,506			
Franchise Corporation	87,345	71,991	212,465	
Additional Billings	475	865	2,545	922
Clay Reserves	48	89	261	105
Limestone	548	1,011	2,973	1,194
Increased Through Erroneous Assessments	2,285	4,220	12,407	4,982
Penalties	3,362	6,112	17,971	7,378
Adjusted to Sheriff's Receipt	(160)	3	(9)	(1)
Gross Chargeable to Sheriff	\$ 388,591	\$ 617,261	\$ 1,815,815	\$ 701,253
<u>Credits</u>				
Discounts	\$ 4,670	\$ 6,784	\$ 19,944	\$ 8,939
Exonerations	14,028	25,816	75,905	31,203
Delinquents:				
Real Estate	16,868	30,830	90,634	36,393
Tangible Personal Property	449	766	2,258	2,353
Intangible Personal Property				163
Uncollected Franchise	3,582	6,094	18,028	
Total Credits	\$ 39,597	\$ 70,288	\$ 206,770	\$ 79,052
Net Tax Yield	\$ 348,994	\$ 546,973	\$ 1,609,046	\$ 622,202
Less: Commissions *	15,120	23,246	63,075	26,731
Net Taxes Due	\$ 333,874	\$ 523,726	\$ 1,545,971	\$ 595,471
Taxes Paid	333,406	523,007	1,543,720	594,554
Refunds (Current and Prior Year)	408	763	2,284	928
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ 59	\$ (43)	\$ (33)	\$ (11)

\* and \*\* See Page 4

CARTER COUNTY  
ALICE BINION, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 1997 TAXES  
September 8, 1998  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,508,169
3.92% on	\$	1,609,046

\*\* Special Taxing Districts:

Health District	\$	2
Ambulance District		402
Extension District		<u>(447)</u>

Due Districts or (Refund Due Sheriff)	\$	<u><u>(43)</u></u>
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The accompanying notes are an integral part of the financial statements.



CARTER COUNTY  
NOTES TO THE FINANCIAL STATEMENT

September 8, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of September 8, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

CARTER COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
September 8, 1998  
(Continued)

Note 4. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1997. Property taxes were billed to finance governmental services for the year ended June 30, 1998. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 22, 1997 through May 30, 1998.

Note 5. Interest Income

The former Carter County Sheriff earned \$5,099 as interest income on 1997 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff  
Honorable Kevin McDavid, Carter County Sheriff  
Members of the Carter County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Carter County Sheriff's Settlement - 1997 Taxes as of September 8, 1998, and have issued our report thereon dated July 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Carter County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Alice Binion, Carter County Judge/Executive and Former Sheriff  
Honorable Kevin McDavid, Carter County Sheriff  
Members of the Carter County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 29, 1999

